The Dividend Addiction

Why Britain's income economy is hooked on two oil companies — what it costs us together, and you personally.

What 'the addiction' actually is

The UK stock market is one of the most dividend-dependent in the world, and that income leans on a tiny number of companies — two of them oil majors. It works like an addiction: a reliable-feeling income 'high' in the short term, a damaging dependence underneath, and a supply that isn't nearly as stable as users believe.

The stats that show the dependence

- **Two oil majors, £1 in every £8.** Shell pays ~£6.3bn a year (the 2nd-biggest FTSE 100 payer) and BP ~£3.8bn (joint-4th) — together ~£10.1bn, about 12.5% of all FTSE 100 dividends (AJ Bell, 2025).
- **Extreme concentration.** The top 5 companies pay 54% of all UK dividends; the top 15 pay 83%. Two of that top five are Shell and BP (Computershare, 2025).
- **Held everywhere.** Because Shell and BP are giants (~£270–310bn combined market value), they sit in nearly every tracker, income fund and pension default in the country.

What it costs us collectively

The dependence distorts decisions across the whole system. Because so much UK income rides on oil dividends, the income-investing machine **defends them reflexively** — which feeds political and financial resistance to the transition. It's the same demand that, in 2024–25, pushed Shell and BP to **scrap climate targets and pile back into oil to keep the cash flowing**. And it builds a collective risk: the more our pensions and income funds depend on two oil majors, the more of us are exposed when those assets eventually strand (a peer-reviewed study put $1tn+ of stranding mostly on pension-holders).

What it costs you individually

- **Fragility.** In 2020, Shell cut its dividend 66% — its first cut since the Second World War — and BP halved its own. UK dividends fell 44% to £61.9bn. Anyone living off those two shares lost half to two-thirds of that income overnight.
- **A worsening deal for income.** Since recovering, the majors favour share buybacks over dividends (UK buybacks hit £63.6bn in 2025). Buybacks lift the share price but pay *no spendable income* — worse for a pensioner who needs cash.
- **Concentration risk.** Leaning on one or two stocks for income is the textbook mistake 2020 punished.

The way out (without losing the income)

Diversified income can be **as reliable or more reliable** than two oil majors. Reserve-smoothing equity-income trusts (City of London Investment Trust has raised its dividend 59 years running, through 2020 included) and CPI-linked renewables-income trusts (Greencoat UK Wind, ~10% yield, no cut in 13 years) spread the dependence — and point it at the transition rather than against it. The addiction is breakable; the withdrawal is gentler than it looks.

General information, not financial advice; past performance does not predict future results. Sources: AJ Bell Dividend Dashboard (2025); Computershare UK Dividend Monitor (2025); CNBC/CNN on 2020 Shell & BP cuts; AIC (City of London IT, Greencoat UK Wind); Nature Climate Change (2022). Named trusts are illustrations, not recommendations.